

## Message Text

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E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: LIFE INSURANCE PREMIUMS TO BE REDUCED

REF: TOKYO A-38

1. SUMMARY: MOF OFFICIAL CONFIRMS NEWS REPORTS THAT PRESMIUMS FOR LIFE INSURANCE POLICIES WILL BE REDUCED BY ORDER OF MOF IN EARLY MARCH. OFFICIAL SAID MOVE IS DESIGNED TO INCREASE COMPETITION WITHIN THIS LONG DORMANT INDUSTRY. OFFICIAL EXPRESSED CONCERN ABOUT FUTURE SURVIVAL OF U.S. FIRMS WHICH HAVE BEEN PERMITTED TO ENTER JAPANESE MARKET. END SUMMARY.

2. MOF OFFICIAL IN INSURANCE DIVISION CONFIRMED TO ASST FINATT NEWS REPORTS THAT MAJOR LIFE INSURANCE COMPANIES WILL REDUCE PREMIUMS BY AS MUCH AS 11PERCENT EFFECTIVE MAR 2. IN JAPAN LIFE INSURANCE PREMIUMS ARE SET BY MOF. THE MINISTRY HAS SOUGHT TO LOWER PREMIUMS SINCE LAST SUMMER'S REPORT BY ADVISORY BODY CALLING FOR MORE COMPETITION IN THIS INDUSTRY. OFFICIAL SAID RATE REDUCTION WAS LIKELY TO HAVE SUBSTANTIAL IMPACT UPON BOTH JAPANESE AND U.S. FIRMS OPERATING IN THIS COUNTRY. FOUR OR FIVE JAPANESE FIRMS MAY EVENTUALLY BE FORCED TO MERGE OR FOLD.

3. OFFICIAL ALSO SAID U.S. PARTICIPATION IN JAPANESE MARKET WOULD BE AFFECTED SIGNIFICANTLY BY RATE REDUCTION, SINCE FOUR U.S. INSURANCE FIRMS CURRENTLY LICENSED TO

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OPERATE IN JAPAN ARE EITHER SMALL FIRMS SPECIALIZING IN

A FEW TYPES OF INSURANCE (ALICO AND AMERICAN FAMILY LIFE) OR JUST GETTING STARTED (ALL STATE-SEIBU AND OCCIDENTIAL). FURTHER DETAILS ON TYSE FIRMS AND PROSPECTIVE MARKET WERE PROVIDED REFAIR. MOREOVER, SOME U.S. FIRMS NOW PLANNING TO ENTER JAPANESE MARKET MAY RECONSIDER IN VIEW OF IMMINENT PREMIUM REDUCTION.

4. WHEN ASKED TO PROVIDE DETAILS OF HIS "CONCERN" ABOUT STRENGTH AND VIABILITY OF U.S. FIRMS IN JAPAN, MINISTRY OFFICIAL NOTED THAT SMALL SIZE OF THESE FIRMS AND VERY FACT THAT THEY WERE FOREIGNBASED MADE IT DIFFICULT TO RECRUIT LARGE SALES FORCE AND HIGHLY QUALIFIED ACTUARIES NEEDED TO BUILD BUSINESS IN A HIGHLY COMPETITIVE MARKET. WHILE AMERICAN FAMILY LIFE (WHICH SELLS WHOLE-LIFE CANCER INSURANCE) HAS BEEN VER PROFITABLE OPERATION THUS FAR, ITS TWO-YEAR "MONOPOLY" ON CANCER INSURANCE WILL END LATE 1976 AND 12 JAPANESE FIRMS HAVE ALREADY FILED APPLICATIONS TO SELL CANCER INSURANCE. SOME OF THESE PLAN TO SELL LESS EXPENSIVE TERMS INSURANCE AGAINST CANCER AND THEY MAY ATTEMPT TO WEAN SOME POLICYHOLDERS AWAY FROMAMERICAN FAMILY.

5. OFFICIAL ALSO REFERRED TO IMPORTANCE OF TIES BETWEEN A LIFE INSURANCE FIRM AND A LARGE BUSINESS GROUP IN PROMOTING SALES OF GROUP LIFE INSURANCE POLICIES. OFFICIAL SAID NONE OF THE U.S. FIRMS CURRENTLY OPERATING IN JAPAN HAVE SUCH A CONNECTION AND MAY SUFFER FOR THAT REASON IN A MORE COMPETITIVE ENVIRONMENT. OFFICIAL SAID THAT ONE LARGE U.S.FIRM WHICH IS CONTEMPLATING ENTRY INTO JAPAN MARKET (REPORTEDLY METROPOLITAN LIFE OF NEW YORK) APPEARS TO BE SEEKING A BUSINESS RELATIONSHIP WITH ONE OF JAPAN'S LARGE BUSINESS GROUPS IN ORDER TO ESTABLISH A SOUND LONG-RANGE POSITION WITHIN THE MARKET. MAJOR JAPANESE LIFE INSURANCE COMPANIES HAVE ALREADY COMPLAINED TO MOF ABOUT PROSPECTIVE ENTRY OF A MAJOR U.S. FIRM SUCH AS METROPOLITAN, BECAUSE OF ADDED COMPETITION. EMBASSY NOTES THAT SEVERAL JAPANESE INSURANCE COMPANIES ARE CONSIDERABLY LARGER THAN METROPOLITAN.

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